



March 25, 1997

Steve McLellan, Secretary
[Washington Utilities and Transportation Commission](#)
1300 South Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

SUBJECT: [Tariff WN U-26, Electric Service, Docket No. UE-970209, Washington Water Power's More Options for Power Service Pilot](#)

Dear Mr. McLellan:

Commission staff invited a representative from the Washington Department of Community, Trade and Economic Development to work with other parties during the development of Washington Water Power's (WWP or the Company) More Options for Power Service Pilot (MOPS). We thank the Commission and its staff for the opportunity to participate in the pilot design phase and for the opportunity to comment on the pilot. We will use this opportunity to achieve the following:

- provide additional perspective on the pilot's design with the goal of clarifying what we can and cannot expect to learn from this pilot, and
- identify suggestions for what we may try to test in future pilots.

The Company is taking a proactive approach to industry restructuring by experimenting now with providing some of their customers access to choice of power providers. This is an important endeavor for any electric utility at this time given the legislative activity on electricity restructuring at both the federal and state levels. The questions that we at CTED considered during our participation in the pilot design include, "What do we hope to learn? What do we want the pilot to provide that contributes to shaping public policy? How does the Commission or the Company plan to evaluate the pilot?"

It is our observation that WWP has both low rates and a history of good customer service. A pilot in WWP's service territory may therefore face particular challenges in recruiting participants or many suppliers. Additional supplier challenges include the small size of the pilot and the inability of suppliers to mass market to the majority of participants. The ability to gather much data in such an environment may be difficult.

The MOPS' design should enable the Company to capture data on the pricing, products and services offered by suppliers. Additionally, it may collect information on why customers chose to stay with the Company and the factors considered by customers who exercised their choice. And, like most pilots, it will provide the incumbent utility with valuable experience in the accounting, administrative, and power operations aspects of managing the delivery of power from multiple suppliers. We believe MOPS should be able to evaluate the effectiveness of their proposed charges on suppliers for failure to deliver. Does this mechanism deter suppliers from defaulting on their delivery commitments? Does the charge cover WWP's expenses in the event of failure?

The Company has committed to expending particular effort to recruit low-income participants in their random selection pool to determine the effect of supplier choice on low-income residents. We suggest that the Company pursue the use of an appropriate aggregator, such as a Housing Authority or low-income advocacy group, to help facilitate this recruitment if need be.

Our goals in advocating that geographic areas, such as a community or county gain access to choice are the following:

1. to test the role of community-based communication and marketing in effectively getting information to all customer groups,
2. to represent a more "real world" communication environment,
3. to eliminate the use of the prescreening process, and
4. to increase the ease of implementing participant recruitment.

The prescreening process may result in a self-selected group of participants who are more informed about the market; they may not represent a broad sampling of customer types. Whereas providing choice within a community may provide answers to the following questions. How does communication flow to end-users regarding power choice? What communication flows? Does the media consider it newsworthy? Do marketers advertise and what do they advertise? Does the communication reach all end-users? Are there classes of customers that the marketing and media do not reach? Are there distinct classes of customers that do not participate despite the availability of information?

The Company has submitted a Supplement to the MOPS proposal based on the interests of several external parties, including CTED. The Supplement provides access to choice for all 981 residential and commercial customers in two small communities served by WWP. Given that one community does not have a daily or weekly newspaper the communication vehicles that exist or do not exist in the two selected communities are not representative of communication vehicles available to the majority of Washington's population. Still, we believe this to be a useful addition to the pilot and are pleased to see the Company file this Supplement to the MOPS pilot.

There are more items worth testing in pilots that the Commission or the governing boards of public utilities may consider when designing future pilots. New England Electric Service, in its Massachusetts's pilot, used a third party to screen and categorize supplier proposals within a portfolio. This portfolio approach may be a valuable mechanism to test for its ability to disseminate legitimate, comprehensible information to all customers. Regarding reliability, what level of reliability or back-up does the distribution company or supplier need to ensure during a pilot or in a competitive power industry? Will customers be paying for twice the level of supply

back-up? Is the distribution company buying additional back-up due to lack of familiarity with suppliers and if so, who is paying for this? The MOPS pilot is gathering information on the benefits and risks for small-use customers. To what risks, other than possibly price risk, is the pilot exposing them? How will MOPS assess and evaluate those risks? It may be constructive to hire third party evaluators to assist with design and evaluation of future pilots.

There will be severe limitations on anyone's ability to compare the results of the Company's MOPS pilot for residential and commercial customers and the DADS pilot for large industrial customers due to the discrepancy in benefits available to the two different groups of participants. Future pilot designs should provide all customer classes with comparable access to benefits and should eliminate inequities such as some customers benefiting by the avoidance of taxes.

Finally, we think the evaluation plan should include a process evaluation and an assessment of the different results between the two approaches for customer selection: random selection and geographic open choice. What percentage of notified customers elected to participate among the randomly selected? What percentage participated from Odessa and Harrington? What communication or marketing resources were used in Odessa and Harrington? Given the absence of much media presence in these communities perhaps the pilot can track less formal communications distributed by the communities or granges or local associations. What effect, if any, did third party information have on levels of participation?

We appreciate the willingness on the part of the Company and the Commission staff to incorporate some of the recommended modifications from external parties during the pilot design. We encourage the Company to consider expanding the size of the pilot in year two and to adopt some methodology, such as open choice within geographic areas, for selecting residential and small commercial customers other than the prescreening process. Thank you for considering our perspective on the design of the Company's pilot.

Sincerely,

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Energy Policy Specialist

cc: Kelly Norwood, WWP
Thomas Dukich, WWP
Deborah Stephens, UTC